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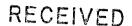
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#### OPEN MEETING AGENDA ITEM



### EXCEPTION



FENNEMORE CRAIG A Professional Corporation Jay L. Shapiro (No. 014650) Patrick J. Black (No. 017141) 3003 N. Central Ave., Suite 2600

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AL CORP COMMISSION DOCKET CONTROL

Arizona Corporation Commission DOCKETED

FEB 26 2010

Attorneys for Verde Santa Fe Wastewater Company

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#### BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF VERDE SANTA FE WASTEWATER COMPANY FOR APPROVAL OF A REVISED TARIFF REDUCING THE COMMODITY RATE FOR EFFLUENT SALES

Phoenix, Arizona 85012

Telephone (602) 916-5000

DOCKET NO.: SW-03437A-09-0493

#### EXCEPTIONS TO PROPOSED ORDER

Verde Santa Fe Wastewater Company ("VSFWC" or the "Company") hereby submits these Exceptions to the Proposed Order ("ROO") in the above-captioned matter. VSFWC's lone exception is limited to Staff's recommendation that the Company file a rate case application no later than September 1, 2010. The Company instead proposes that Staff conduct an initial rate review to determine if a modification of rates is necessary, and whether the estimated cost and expense of a rate proceeding is warranted, and will benefit VSFWC's approximately 940 customers. Furthermore, the Company requests that the Commission allow it an opportunity to enter into a binding agreement with the owners of the Verde Santa Fe Golf Course ("Golf Course") for the sale and use of effluent, which can serve as a basis for the establishment of an effluent rate in its next rate proceeding. Finally, the Company has already taken the appropriate steps to address its good standing

<sup>1</sup> The Company received its Certificate of Reinstatement on February 23, 2010, attached hereto as **Exhibit A**.

to VSFWC's authorized effluent rate of \$2.00 per thousand gallons.

with the Commission's Corporations Division, and shall bill the Golf Course according

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VSFWC is currently in an untenable position. The Company cannot force the Golf Course to purchase the effluent produced by VSFWC's wastewater customers, yet needs the Golf Course in order to dispose of such effluent. An alternative means of disposal would require the construction of facilities that would result in a rate increase to existing customers. Therefore, if the Golf Course suddenly finds that the purchase of effluent from VSFWC would be more expensive than pumping groundwater from onsite wells, it is very likely that the Company would be left without a means to dispose of effluent. It is this immediate threat to the health and safety of VSFWC's customers that has resulted in the Company's acceptance of payment far below the \$2.00 per thousand gallons tariffed effluent rate. VSFWC is hopeful that the Commission recognizes that the Company's recent failure to bill the authorized rate was based on the Golf Course's representation that it would begin paying more than \$0.23 per thousand gallons of effluent.

The company maintains that it has little confidence that should the Commission approve the requested new tariff rate, that the golf course would actually pay it, which is why we continue to subscribe to the probability that the rate reduction would be revenue neutral in the near-term. Further, it does not believe that filing a rate case application by September 1, 2010 will solve the problem facing VSFWC; the safe and proper disposal of effluent in the event the Golf Course chooses to rely on groundwater pumping instead of treated effluent. Assuming that the Golf Course continues to pay \$0.23 per thousand gallons, a review of VSFWC's rates, charges and financial condition would demonstrate that incurring the rate case expense would be the primary cause of the resulting rate increase. Consequently, the Company proposes that Staff conduct a rate review to determine if a rate application filed by VSFWC is necessary or in the public interest.

For the reasons stated herein, VSFWC respectfully requests that the Commission modify the ROO to eliminate the requirement that the Company: (1) file a document reinstating good standing, which is attached hereto as Exhibit A, and (2) file a rate case

application by September 1, 2010. In addition, the Company proposes that the 1 Commission allow VSFWC time to develop a strategy for the long-term use of effluent 2 3 within its service area. The Company would agree to provide quarterly status updates to Staff, along with copies of effluent billings to each customer through December 2010 as 4 5 already recommended by Staff. RESPECTFULLY SUBMITTED this 26th day of February, 2010. 6 7 8 9 10 11 12 13 14 ORIGINAL and 13 copies of the foregoing filed this 26 day of February, 2010 with: 15 16 **Docket Control** Arizona Corporation Commission 17 1200 West Washington Street Phoenix, Arizona 85007 18 19 COPY of the foregoing hand-delivered this 26 day of February, 2010 to: 20 21 Robin M. Mitchell, Esq. Legal Division 22 Arizona Corporation Commission 1200 West Washington Street 23 Phoenix, Arizona 85007 24

FENNEMORE CRAIG ROFESSIONAL CORPORATION
PHOENIX

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Wastewater Company

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By

Steven M. Olea, Director
Utilities Division
Arizona Corporation Commission
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Phoenix, Arizona 85007

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FENNEMORE CRAIG
PROFESSIONAL CORPORATION
PHOENIX

# Exhibit A





## STATE OF ARIZONA



## Office of the CORPORATION COMMISSION CERTIFICATE OF REINSTATEMENT

\*\*\*VERDE SANTA FE WASTEWATER COMPANY, INC. \*\*\*

File Number 08163778

Effective this date, the ARIZONA CORPORATION COMMISSION, pursuant to Arizona Revised Statutes, Section 10-1422.B, hereby CANCELS the administrative dissolution and REINSTATES the corporation status of the above named corporation.



IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 23rd Day of February, 2010, A. D.

**Executive Director** 

Ву: \_\_\_\_\_439987



